

VZCZCXRO5514
RR RUEHAG RUEHDF RUEHIK RUEHLZ RUEHROV RUEHSL RUEHSR
DE RUEHMD #0969/01 2710616
ZNR UUUUU ZZH
R 280616Z SEP 09
FM AMEMBASSY MADRID
TO RUEHC/SECSTATE WASHDC 1276
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHLA/AMCONSUL BARCELONA 4135
RHMCSUU/DEPT OF ENERGY WASHINGTON DC
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 MADRID 000969

SIPDIS

STATE FOR EUR/WE, EEB/IFD/OMA
COMMERCE FOR 4212/DON CALVERT
TREASURY FOR OAI/OEE R.JOHNSTON
ENERGY FOR PIA:K.BALLOU

E.O. 12958: N/A
TAGS: [EAIR](#) [ECON](#) [EFIN](#) [EIND](#) [EINV](#) [ELAB](#) [ENRG](#) [SP](#)
SUBJECT: MADRID ECONOMIC WEEKLY, SEPTEMBER 21-25

REF: A. MADRID 936
[1](#)B. MADRID 913

MADRID 00000969 001.2 OF 002

Contents:

EFIN: Crisis Makes Cajas Owners of Troubled Real Estate
EIND: Vehicle Production Increases in August
EIND/ELAB: Projected Additional Layoffs at Figueruelas Opel Plant Spark Reaction
EAIR: Low-Cost Airlines Overtaking Traditional Carriers
ENRG/EINV: Iberdrola Gets Another \$250M in U.S. Stimulus Grants for Wind Farms
EFIN/EINV: Santander's Brazilian Subsidiary Plans Big Share Offering

Crisis Makes Cajas Owners of Troubled Real Estate

1.(U) Between December 2007 and June of this year, Spain's savings banks ("cajas") acquired 26 billion euros in property, mainly real estate from troubled construction and real estate companies. (Comment: These purchases allow the cajas to avoid having to declare their loans to the companies as delinquent. To the extent that they carry the properties on their books at higher-than-market valuations, it also allows them to delay addressing their problems.) Because of their relationship with the construction sector, savings banks have acquired more real estate than have banks -- about three times as much, according to the Bank of Spain. (El Pais, 9/21)

Vehicle Production Increases in August

2.(U) The Spanish Association of Vehicle Manufacturers (ANFAC) announced that automotive vehicle production in August, at 77,000 units, was 47% higher than in August of last year. The group attributed the increase to programs in various European countries that provide incentives for automobile purchases. Based on the August figures, ANFAC now projects total vehicle production for 2009 to be 2.15 million units, 15% fewer than in 2008 but not as low a figure as originally expected. Vehicle exports were also up in August, though over the course of the year they remain 25% below the first eight months of 2008. (Europa Press, 9/23)

Projected Additional Layoffs at Figueruelas Opel Plant Spark Reaction

3.(U) News that layoffs at the Opel plant in Figueruelas near

Zaragoza would likely be greater than previously reported if the Magna consortium buys Opel from GM sparked a sharp reaction from workers. Spanish press repeated news published in Germany that Magna plans to lay off 2,090 workers at Figueruelas, almost 500 more than originally estimated. Even before this report, workers staged a demonstration last Saturday in Zaragoza. Some Spanish workers participated in a mass demonstration in Antwerp on Wednesday against the planned layoffs, and another protest is expected this weekend in Spain. Meanwhile, GM, citing continued low demand, has presented a formal order to lay off 600 workers from the plant between November and March. With unemployment over 18 percent and still rising, and persistent reports that economic recovery is not yet in sight, the government and all sectors of Spanish society are especially sensitive to prospects of further job losses. (El Pais, 9/23, 9/25)

Low-Cost Airlines Overtaking Traditional Carriers

4.(U) Spain is receiving fewer international visitors (nearly 10% down from last year), and those making the journey are choosing no-frills airlines over traditional carriers. Figures from the Ministry of Industry, Tourism and Commerce show that through August of this year, 50.1% of visitors arrived on low-cost airlines. This is the first time since the emergence of discount carriers in the 1990s that they have overtaken their competitors. On a related note, in August, low-cost Irish airline Ryanair displaced Iberia as the leader in the domestic market. All airlines are facing challenges due to the economic crisis, but the traditional carriers have lost nearly 13% of their passengers this year, compared to around 7% for their rivals. (El Pais, 9/22; Expansion, 9/25)

Iberdrola Gets Another \$250M in U.S. Stimulus Grants for Wind

MADRID 00000969 002.2 OF 002

Farms

5.(U) Over \$250 million was approved by the Treasury and Energy Departments on September 22 for three grants to Iberdrola Renewables for wind energy projects in Iowa, Missouri, and Texas. The funds are from a second disbursement of stimulus grants; Iberdrola received about 45% of the total granted in that disbursement. Iberdrola had received \$294 million in the first disbursement on September 11. The grant program has replaced earlier tax incentives for wind farms and covers 30% of the qualifying costs of investments. (ABC, 9/23; Treasury statement, 9/22; Iberdrola statement, 9/23)

Santander's Brazilian Subsidiary Plans Big Share Offering

6.(U) The Brazilian subsidiary of Banco Santander will carry out a major IPO October 7 (on the NYSE) and 8 (on the Sao Paulo exchange) to fund expansion. The operation is expected to raise between \$6.3 and \$7.3 billion for about 16% of the subsidiary's shares. The value given the shares will make the subsidiary among the world's 30 largest banks by market capitalization and will mean that the subsidiary will account for a third of Santander's total value. It will be the largest issuance of shares on the stock exchange in Brazil, and possibly the largest worldwide this year. (El Pais, 9/22)

CHACON